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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
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A FURTHER LOOK AT THE LATEST OIL SHOCK

During these uncertain times there may be only two types of forecasters: those who don't know, and those who don't know that they don't know. In our previous MONTHLY PROJECTIONS we assumed that only the Kuwaiti oil would be lost for a short period of time. Like Saddam Hussein, we underestimated the world's resolve to this dangerous leader.

By responding with an economic embargo and a military presence, the economic impact of the Persian Gulf crisis has been substantially changed. At the present time, about 4 million barrels a day have been removed from the world markets, or slightly less than 8% of the 54 million daily barrels normally consumed. Also, the Saudi's production of 5.5 million barrels a day would be jeopardized as well as the nearly 1 million barrels a day by the United Arab Emirates if the Iraqis choose to attack those oil production and distribution centers. (Of course, our forces would retaliate, but substantial damage to oil production capacity for up to six months is likely as a result of such action). Thus, about 20% of the world production of oil is at risk if hostilities occur in the Persian Gulf.

On the other hand, substantial excess capacity exists in OPEC, and several of those members already are moving to replace most of the oil lost from Kuwait and Iraq. Venezuela is adding 500,000 barrels a day. Even Alaska is able to provide about 250,000 daily barrels more through the pipeline. Another 2 million additional barrels is being produced by Saudi Arabia and more than 200,000 more is coming from Iran and the U.A.E. Of course, these latter sources remain at risk if hostilities develop. Nevertheless, a standoff would permit all but 1 million of the lost oil production to be replaced by additional production in the above areas.

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At more than $31 per barrel, or an increase of more than $12 per barrel since the middle of July, oil prices clearly are reflecting a greater shortfall than the one million cited above. Two reasons for the higher oil prices are apparent.

First, fears of oil shortages during the heating season have sharply increased oil demand. Customers are keeping their heating fuel tanks and gasoline tanks full. This shift in inventory from industry to consumers, where it is not easily measured, has added almost a million barrels a day to world demand. This should be a short-term surge in demand, but the heating season under normal conditions would add 1.5 million per day from the summer quarter. If the winter is cold, an additional million barrels per day could be needed. Thus, the market currently is preparing for as much as a 3 million surge in winter demand. By spring, demand would return to more normal levels, regardless of the winter weather; but inventories could be depleted. Government storage could overcome all but the most severe winter weather, but the oil markets remain unsure about how long the present surge in additional demand will prevail.

Second, hostilities could account for substantial damage to oil shipments. Although no one believes that 10 million barrels a day will be impacted, and virtually everyone maintains that even the Kuwaiti oil fields, which are apparently mined and will be destroyed by retreating Iraqi troops upon the onset of hostilities, can be back in production six to nine months later, enough uncertainty exists to encourage higher inventory holdings than normal. Using a short-run elasticity of .15, the markets currently are pricing a 4 million barrel shortfall. In the absence of further knowledge, the expected value of all possible outcomes in terms of oil availability probably is within that range. Therefore, oil prices probably are justified at prevailing $31 per barrel levels, but they should not go higher in the absence of more information concerning the likelihood of damage to the oil delivery system and the disruption of Saudi and U.A.E. deliveries.

Moreover, the long-run price elasticities are considerably higher, probably 0.7 to 0.8. Thus, if oil prices are expected to remain above $30 per barrel, changing consumption habits will reduce demand sufficiently to drive oil prices down, probably to as low as $23 per barrel in the case of a long-term stalemate. However, this is a catch-22. If oil prices are expected to fall soon, none of the spending needed to attain those higher elasticities will be made, and the price of oil can stay above $30 for a sustained period of time. Therefore, only if investors and consumers assume that oil prices will not fall, will the changed behavior lead to their decline. On the other hand, the longer prices remain high, the more likely people will believe that they will stay high, and will make changes that will lead to their decline. Certainly by the end of 1991, oil prices near $20 per barrel are more likely than oil above $30 per barrel, but the path to this lower oil price is not easy to determine.

Nevertheless, forecasters must forecast, and to do so, they must make assumptions. Our assumptions for this forecast is that oil will average $27 per barrel in the fourth quarter, fall to $25 per barrel in the winter, plunge to $21 per barrel in the spring and then gradually rise to $23 by next winter. This seems to be a reasonable path of oil price adjustments, but continued consumer hoarding, a bad winter, or hostilities certainly could create a substantially higher price horizon. On the other hand, the easing of Persian Gulf tensions, or a resolution of the conflict without substantial oil shipment displacement could lead to a substantially lower oil price profile.

As we use slightly more than 6 billion barrels of oil a year, every $6 increase in the price of oil will add about 1 percentage point to the CPI in the next six months. About half that gain would come from savings while the remainder would come from displaced purchases. Assuming little change in investment because of the oil price increase over that time, economic activity would fall by slightly less than 0.5%. At current oil prices of $31 per barrel, the CPI displacement is 2% and the impact upon economic activity is slightly more than 0.8%.

In addition to oil, the Persian Gulf crisis includes a substantial outlay of military expenditures. By the end of September, the monthly cost of maintaining the troops could be $1.5 billion. Normally, this expenditure would have a substantial offsetting impact upon economic activity, but a substantial portion of that cost will be spent abroad. Therefore, the trade deficit and the government deficit will suffer most of the impact of this venture.

Indeed, the government deficit, assuming no cost offset by our allies, would increase by nearly $30 billion because of added expenditures for the troops, the additional reserves called up and the higher oil bills paid by the government. Also, the nearly 1% decline in economic activity from what otherwise would be will take away about $20 billion in previously expected revenues. Thus, the deficit will be increased by more than $50 billion as a result of the Persian Gulf crisis.

The trade deficit should increase by $3 billion per month because of the higher oil bill and any reductions in sales to Iraq and Kuwait as a result of the embargo. (Iraq was our #1 purchaser of rice and #3 purchaser of corn before the embargo. Kuwait was a major purchaser of aircraft and military equipment, of which $3 billion may have fallen into Iraqi hands).

Our PROJECTIONS show three quarters of economic weakness. Real GNP appears to have peaked in July and will decline by a modest 0.8% to a trough next June. The employment numbers, with the aid of declining Census workers, peaked in June along with the index of hours worked in the private economy. Thus, a case can be made for the beginning of recession in July or August, but the degree of decline may be viewed as too modest to officially be called a recession. In any event, economic activity currently is declining and all the recessionary fallout from that should be apparent in the months ahead.

Monthly Statistical Highlights

	AUGUST 1990	SEPTEMBER 1990	OCTOBER 1990
Payroll Employment		-49,000	-49,000
Index of Hours Worked		-0.1%	-0.1%
Household Employment		+49,000	-54,000
Civilian Unemployment Rate		5.7%	5.9%
Personal Income	+0.3%	+0.3%	+0.4%
Savings Rate	4.7%	4.5%	4.4%
Personal Consumption	+0.5%	+0.6%	+0.5%
Retail Sales	+0.3%	+0.4%	+0.4%
Auto Sales	9.5*	9.7*	9.2*
Housing Starts	-1.5%	-1.5%	+0.7%
Housing Permits	-2.2%	-2.7%	-0.3%
Construction Expenditures	-0.6%	-0.8%	+0.6%
Business Inventories	+0.7%	+0.6%	+0.2%
Orders for Durable Goods	+0.6%	-2.6%	-0.1%
Orders - Nondefense Capital Goods	-5.2%	-4.8%	-1.1%
Industrial Production	-0.1%	-0.2%	-0.1%
CPI	+0.9%	+0.8%	+0.5%
PPI	+1.7%	+0.6%	+0.7%
Consumption Deflator	+1.0%	+0.6%	+0.4%
Leading Indicators	-0.8%	-0.2%	-0.1%
Currency Index	-4.2%	-1.5%	-1.5%
Equity Index		-2.7%	-0.1%
Real GNP (annual rate)	-0.9%	-3.1%	-1.4%
M1 (annual rate)	+8.9%	+7.8%	+5.2%
M2 (annual rate)	+5.1%	+6.0%	+4.7%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Census workers fell by 120,000 in August, causing total payrolls to fall by 75,000. However, more than 100,000 of that growth was in health services and state and local government. In the private economy, the index of hours worked fell 0.6% from its June peak. Activity was especially weak in durable manufacturing, but all other sectors of the employment report were flat. The diffusion index was a recessionary 46.9. Since its June peak, payroll employment has fallen by 164,000, although Census workers fell by 293,000 to only 74,000 by August. More significantly, household estimates of employment have fallen by 731,000 from its June peak, an the unemployment rate is 0.5 percentage points above its June low. Will weakness persist now that Census reductions no longer are an important part of the payroll report? An increase in the manufacturing workweek may say that all these adjustments are temporary. However, more than 200,000 reportedly lost their job in August and the number of people unemployed less than 5 weeks is beginning to surge. Although the call is close, further weakness in employment appears likely.

The hourly earnings index increased only 0.2%, and is up 4.0% from the previous year. This clearly reduces fears that wage costs will add to inflation.

PERSONAL INCOME AND OUTLAYS-Surging oil prices will substantially impact household savings, as mentioned above. This will exacerbated by weakness in wage growth, little is expected for August as a result of the employment report. Farm incomes also will be under some pressure in the next few months because of the abundance of grain crops, except in the southeast. The July gains in wage income were stronger than normal because of a surge in service wages. Construction wages actually fell. Manufacturing wages should be off in August and little growth is expected in other wage sectors.

Auto sales were surprisingly weak in August, considering the change in pricing as the new model approaches and the incentives provided. As a result, the fall slump in auto sales could be greater than expected. Also, the July rebound in nonauto durables probably reflects a catch-up from a sluggish spring. Weakness is expected in household furnishings and furniture for the remainder of this year. Even the nondurables are weak, but this is being shielded by stronger gains in gasoline sales from higher prices. Although consumption appears to register a healthy increase for the quarter, all the gain is in prices. In real terms, no growth is occurring in consumer spending, and none is expected until after the oil prices crest in the winter. Thus, the Christmas season also should be rough.

CONSTRUCTION-Housing construction and sales slumped in July even as mortgage rates were going down. Now that rates are again rising, further weakness in housing is expected into the winter. Apartments continue to face the brunt of this slump because of credit availability problems, but single family activity also should remain sluggish until mortgage rates begin to fall. A normal rebound in housing is expected early next year, but the gains are from a lower base than originally expected.

The slump in housing is becoming more obvious in residential construction. Still, the employment and wages in construction fell in July, while expenditures apparently increased. The employment statistics normally would favor an increase in construction employment in August, but the surveys appear to be out of phase with each other. Public construction has stalled following the surge and sag

associated with natural disasters. Only modest growth is expected here as governments struggle with their budget deficits. The rebound in nonresidential activity was concentrated in industrial activity during the summer and probably has little staying power. Commercial and retail construction remains overbuilt. Moreover, orders have been down 8% this year, which could translate into a sharper fall in construction expenditures later this year than currently assumed.

The construction deflator already is beginning to accelerate because of higher material costs. Further gains are likely from the rise in oil derivative prices despite the weakness in demand. Nevertheless, no surge in construction costs is likely because wage prices should remain modest.

BUSINESS ACTIVITY-Transportation equipment again helped durable goods orders in July, but orders were also slightly higher in most sectors. However, the employment report for August clearly shows weakness in durable manufacturing. This could be a delayed response to the surprising 2% decline in durable shipments. After all, inventories increased sharply in July, probably because some orders were cancelled. Therefore, continued strength in durable activity should not be expected. However, the increase in inventories will be reflected in higher business inventories during the summer. Also, higher petroleum prices will impact the nondurables orders, inventories, and shipments in August and beyond. Therefore, the modest increase in industrial production during the summer is merely to add to inventories. Weakness certainly is expected in the fall and beyond.

Defense shipments have been revised upward as a result of the latest crisis, but this still means a decline in shipments during the bulk of this year. Moreover, no substantial rebound in defense shipments is expected, as strategic weapons still are subject to reductions. As capacity utilization declines, some weakness should develop in capital goods orders, leading to some declines in orders for nondefense capital goods.

PRICES-Although most of the oil price effect should be in the prices during the third quarter, fourth quarter averages will appear to be more robust because these gains occur late in the quarter. In August alone, prices for nondurable goods are expected to be up 2.2% because of a 24% increase in the price of gasoline. More moderate price changes are expected for September, although gains will remain sizable then. The acceleration in service prices occurred prior to the Persian Gulf crisis and should not be substantially impacted by that event. Higher auto and jewelry prices are reflected in prices for consumer durables. Indeed, increases may be understated for the fourth quarter in that sector. Prices then are expected to moderate substantially. In the twelve months following September, inflation may be less than normal as a slowing economy and some backtracking in oil prices combine to substantially reduce inflationary pressures.

The GNP deflator also should increase significantly because of the surge in consumer prices. The timing of the price increases for GNP may be off slightly, as import prices may increase faster than domestic prices. Because inventories are evaluated only in terms of domestic prices, this creates a distortion in terms of the timing of price changes. However, domestic prices appeared to

anticipate rather than respond to the higher oil prices. Indeed, if imported oil continues to be delivered at $15 per barrel into September, the deflator would be higher in the third quarter than currently estimated. Of course, that would then lead to a lower deflator in the fourth quarter than the 6% currently projected.

MISCELLANEOUS-Higher oil prices will be like an elevator increasing the trade deficit to a higher plateau. However, as the dollar is expected to weaken considerably over this time, other trade flows will continue to improve. By early next year the dollar will be in a position to rebound. Our current feeling is that the dollar will fall to 1.5 marks and then rally to 1.6 marks next year. The dollar will fall to 135 yen and then rally to 145 yen next year. Thus, the U.S. will be able to pay for its oil bill, which also will be declining after the winter according to our assumptions. However, the Persian Gulf crisis will delay further adjustment in our trade deficits for about a year and add considerably to the total debt outstanding.

The leading indicators really did not lead in this downturn. However, they are expected to lead the recovery. Most of the gains will be in building permits, which have fallen to such a low level that some rebound is increasingly likely.

Although the economy peaked in July according to this analysis, enough momentum was available from the end of the second quarter to prevent the economy from registering a decline for the summer quarter. However, activity should weaken noticeably in the fall and then gradually stabilize by midyear. As the recession is mild, the recovery should be muted.

The estimated increase in adjusted profits during the summer reflects higher oil profits and the delay in adjusting inventory values for rising prices. The estimated 9.2% decline in adjusted profits from peak to trough is slightly less than would be anticipated for the decline in economic activity. Perhaps, the profits decline will be sharper than currently estimated.

FINANCIAL MARKETS

Shifts in savings activity certainly explain why interest rates are increasing at the present time. The household savings rate is falling as higher oil prices sap the purchasing power of consumers. Government deficits are rising as military activity and reduced economic activity lead to an additional $50 billion in government borrowings. Although some corporations, the oil producers, are sharply improving their cash flow, most are being squeezed. Their cost of materials are accelerating with oil prices and the demand for their products is being squeezed by reduced purchasing power. Higher inventory investment will be needed as commodity prices rise because of oil. Thus, all the domestic sectors clearly are reducing their net savings.

Foreign investors are nervous because the values of their domestic portfolios are declining along with a worldwide decline in stock values. Therefore, they are reluctant to accumulate any more dollar based assets. Furthermore, as inflation rises abroad, foreign central banks are restraining credit expansion, leading to rising interest rates abroad. Therefore, only substantial interest rate concessions would entice foreign investors into dollar instruments. Thus, all the forces for rising interest rates currently are in place.

As long as oil prices continue to rise, no reversal of this pattern is expected. However, if oil prices already are discounting most reasonable eventualities and will be coming down, then the negative forces on interest rates should largely reverse toward positive forces by year's end. Early in 1991, household savings should expand significantly, although net savings may again fall in the spring as housing activity increases.

Corporate inventory investment in dollar terms should peak in the fall. Although profits should continue falling into the spring, reduced investment needs will begin generating favorable corporate cash positions by the winter. These should persist for much of next year.

Government deficits currently look very difficult. Deficits approaching $300 billion are possible early next year. However, most of the increase in deficit borrowings will occur by the fall. As a result, government will have little further upward pressure on interest rates by the winter.

Foreign investors still might ignore dollar assets, but enough positive shifts in savings or investments domestically should develop to permit easing interest rates by the winter. Indeed, our analysis suggests that bonds purchased this September will experience total returns in excess of 17% by a year from now. This compares to less than a 10% expected return for equities.

Short-term interest rates will fall earlier than that. The Federal Reserve soon will discover the recessionary risks and begin lowering their federal funds targets. This will cause further declines in other short-term rates, with the prime rate eventually falling by a full percentage point to 9% by next summer.

EQUITY MARKETS-Our equity formulas indicate that the market already has dropped sufficiently to discount most of the recessionary impact of the oil shock. Although strong rallies from current levels should not be anticipated, a November low of less than 5% below current levels is expected. Although total returns of only 10% for the next year do not sound dramatic, they are acceptable. Moreover, some stocks that have not been overvalued during the market surge but have been beat down in the drop, especially primary and secondary issues in the over the counter market, could do much better than that. However, the average investor will not regain the portfolio values of this spring before the end of 1991.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
April 1990	110401		130.0		118116		5.4	9.95	
May	110770	1.7	130.1	0.8	118350	0.7	5.3	9.98	4.5
June	110925		130.7		118389		5.2	10.03	
July	110706		130.8		117953		5.5	10.09	
August	110657 *	-0.2	130.6 *	1.1	118002 *	-1.1	5.5	10.12 *	5.4
September	110608		130.5		117948		5.7	10.15	
October	110559		130.4		117880		5.9	10.19	
November	110698	0.2	130.6	-0.2	118003	0.1	5.9	10.23	4.3
December	110839		130.7		118093		5.9	10.26	
January 1991	110936		130.8		118190		5.9	10.30	
February	110904	0.7	130.8	0.6	118133	0.5	6.0	10.35	4.8
March	110872		130.7		118101		6.2	10.39	
April	110885		130.7		118121		6.3	10.43	
May	110912	0.0	130.7	-0.2	118170	-0.0	6.3	10.46	4.6
June	110949		130.7		118103		6.4	10.50	
July	111021		130.7		118219		6.4	10.53	
August	111134	0.8	130.8	0.4	118318	0.7	6.4	10.57	4.1
September	111267		131.0		118458		6.3	10.61	
Chng Sept(91)/Sept(90)		0.6		0.4		0.4			4.5
Chng Sept(90)/Sept(89)		1.4		1.2		0.5			3.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	4.608		2.682		199.1		3.916		3.717	
May	4.624	5.6	2.694	6.8	205.9	17.3	3.929	4.6	3.723	4.0
June	4.646		2.710		192.4		3.951		3.759	
July	4.672		2.726		196.6		3.972		3.776	
August	4.685 *	5.3	2.730 *	5.3	186.3 *	-21.8	3.980 *	5.1	3.794 *	6.8
September	4.701		2.736		178.8		3.993		3.814	
October	4.721		2.747		174.8		4.009		3.834	
November	4.746	5.1	2.763	4.6	173.6	-27.2	4.030	4.8	3.856	6.6
December	4.768		2.775		170.5		4.048		3.878	
January 1991	4.792		2.789		177.7		4.077		3.899	
February	4.818	6.1	2.805	6.1	185.9	26.1	4.104	7.3	3.918	6.5
March	4.837		2.815		186.3		4.120		3.934	
April	4.860		2.828		184.5		4.139		3.955	
May	4.878	5.1	2.837	5.1	179.2	-12.9	4.153	5.0	3.974	6.0
June	4.890		2.850		167.5		4.161		3.994	
July	4.909		2.859		164.0		4.176		4.012	
August	4.935	5.0	2.874	5.2	166.7	-19.0	4.198	4.6	4.031	5.8
September	4.962		2.890		173.3		4.221		4.048	
Chng Sept(91)/Sept(90)		5.6		5.6		-3.1		5.7		6.1
Chng Sept(90)/Sept(89)		6.6		5.5		19.7		6.5		6.0

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	3608.1		481.6		1174.3		1952.2		2676.0	
May	3613.8	4.1	473.8	-10.0	1174.2	1.4	1965.9	4.9	2672.6	0.3
June	3649.9		482.5		1187.7		1979.7		2689.4	
July	3666.5		487.9		1186.0		1992.7		2694.6	
August	3683.9 *	6.9	481.1 *	3.5	1196.2 *	5.7	2006.6 *	8.4	2679.6 *	0.7
September	3704.2		481.4		1203.5		2019.3		2677.5	
October	3723.9		482.8		1209.0		2032.1		2680.9	
November	3745.8	6.7	487.8	3.0	1212.2	6.0	2045.8	8.1	2686.9	0.4
December	3766.5		490.5		1217.4		2058.6		2693.0	
January 1991	3788.0		494.3		1222.4		2071.3		2698.9	
February	3806.5	6.6	495.7	6.4	1226.0	4.5	2084.8	7.8	2702.2	2.2
March	3821.7		493.8		1230.7		2097.2		2703.2	
April	3842.2		495.8		1236.0		2110.4		2711.0	
May	3861.2	6.0	499.7	3.9	1239.0	4.2	2122.5	7.6	2716.6	2.3
June	3880.1		502.4		1241.9		2135.8		2722.5	
July	3898.2		503.7		1245.8		2148.7		2726.7	
August	3917.1	5.3	506.8	5.6	1248.8	3.1	2161.5	7.5	2731.4	2.1
September	3933.1		507.8		1250.7		2174.6		2733.9	
Chng Sept(91)/Sept(90)		6.2		5.5		3.9		7.7		2.1
Chng Sept(90)/Sept(89)		6.0		-0.7		5.5		8.1		0.0

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	147.89		22.78		9.6		94.27		30.84	
May	147.78	-3.6	22.67	8.7	9.3	-5.4	94.26	1.4	30.85	-13.5
June	149.37		22.70		9.9		95.64		31.04	
July	149.51		23.03		9.7		95.61		30.86	
August	149.96 *	4.6	22.77 *	1.7	9.6 *	2.8	96.43 *	7.1	30.76 *	-0.8
September	150.58		22.63		9.7		97.02		30.93	
October	151.18		22.57		9.2		97.46		31.15	
November	151.99	5.3	22.71	-2.1	9.4	-11.8	97.72	6.0	31.56	8.7
December	152.71		22.79		9.5		98.14		31.78	
January 1991	153.54		22.85		9.8		98.54		32.15	
February	153.98	5.2	22.96	4.0	9.8	16.6	98.83	4.5	32.19	8.1
March	154.15		22.93		9.6		99.21		32.01	
April	154.80		23.11		9.6		99.64		32.05	
May	155.48	4.1	23.04	3.4	9.8	2.8	99.88	4.2	32.56	4.2
June	156.01		23.17		10.0		100.11		32.73	
July	156.47		23.09		10.1		100.43		32.95	
August	157.06	4.0	23.24	1.9	10.2	15.8	100.67	3.1	33.15	8.3
September	157.32		23.31		10.2		100.82		33.19	
Chng Sept(91)/Sept(90)		4.5		3.0		5.2		3.9		7.3
Chng Sept(90)/Sept(89)		2.3		0.5		-9.3		5.8		-6.2

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AR% is the annualized percentage change from the previous quarter.

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	372.3		123.61		36.57		35.30	
May	372.4	-1.3	128.74	10.7	35.93	-21.1	35.30	-3.5
June	370.7		124.69		36.19		36.62	
July	373.3		128.22		39.79		34.95	
August	376.9 *	5.4	128.99 *	6.3	37.73 *	18.7	35.66 *	-4.0
September	379.9		125.64		35.92		35.53	
October	380.9		125.52		35.53		35.26	
November	382.1	5.9	124.47	-6.4	34.97	-23.1	35.21	-0.8
December	383.5		126.63		35.73		35.45	
January 1991	384.9		126.22		34.91		35.41	
February	386.0	3.9	127.78	6.0	35.16	-2.4	34.83	-2.7
March	386.7		128.14		35.52		34.96	
April	387.4		128.01		35.53		35.16	
May	387.9	2.0	128.53	4.6	35.82	7.3	35.23	2.9
June	388.0		129.94		36.11		35.56	
July	388.4		129.16		36.71		35.27	
August	389.7	1.8	129.43	1.9	36.51	9.4	35.42	1.7
September	390.5		129.76		36.69		35.71	
Chng Sept(91)/Sept(90)		2.8		3.2		2.1		0.5
Chng Sept(90)/Sept(89)		2.4		0.3		1.6		-0.6

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	796.1		8.92		108.8		83.1	
May	800.4	1.5	9.18	30.1	109.4	0.9	83.4	-1.7
June	797.3		9.10		109.9		83.6	
July	802.9 *		8.97		109.9		83.4	
August	808.3	5.2	8.93 *	1.6	109.8 *	1.5	83.1 *	-1.4
September	812.9		9.41		109.6		82.7	
October	814.5		9.02		109.5		82.4	
November	818.3	5.1	8.81	-4.7	109.3	-1.2	82.0	-4.4
December	821.6		9.15		109.5		82.0	
January 1991	824.3		9.04		109.6		81.9	
February	827.2	4.4	8.86	-4.4	109.3	-0.4	81.5	-3.0
March	829.6		8.78		109.1		81.1	
April	831.3		8.81		108.9		80.7	
May	833.3	3.0	8.64	-6.6	108.8	-1.6	80.4	-4.8
June	834.8		8.78		109.0		80.4	
July	836.9		8.75		109.2		80.4	
August	839.3	3.1	8.77	2.0	109.4	2.0	80.4	-0.3
September	842.1		8.84		109.7		80.5	
Chng Sept(91)/Sept(90)		3.6		-6.1		0.1		-2.7
Chng Sept(90)/Sept(89)		2.6		2.0		1.3		-1.3

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	1.216		0.898		0.318		1.108	
May	1.206	-53.6	0.897	-53.7	0.309	-53.3	1.065	-65.1
June	1.179		0.885		0.294		1.108	
July	1.148		0.873		0.275		1.079	
August	1.131 *	-21.2	0.866 *	-12.6	0.265 *	-42.5	1.055 *	-14.0
September	1.114		0.852		0.262		1.026	
October	1.122		0.855		0.267		1.023	
November	1.129	-0.4	0.851	-3.2	0.278	9.3	1.024	-10.2
December	1.139		0.864		0.275		1.029	
January 1991	1.162		0.877		0.285		1.053	
February	1.186	20.3	0.893	17.2	0.293	30.2	1.078	20.7
March	1.202		0.904		0.298		1.093	
April	1.214		0.913		0.301		1.102	
May	1.219	14.0	0.923	14.7	0.296	11.9	1.108	13.3
June	1.235		0.931		0.304		1.116	
July	1.239		0.932		0.307		1.133	
August	1.252	9.2	0.941	7.4	0.311	15.0	1.154	15.6
September	1.259		0.944		0.315		1.162	
Chng Sept(91)/Sept(90)		13.0		10.8		20.2		13.3
Chng Sept(90)/Sept(89)		-11.8		-12.1		-10.9		-21.7

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	139.2		104.5		205.1		448.8		409.2	
May	138.5	-0.6	108.0	-10.4	198.1	-10.1	444.6	-7.5	403.6	-8.9
June	140.3		108.8		191.3		440.4		399.7	
July	143.1		108.6		190.5		442.2		400.1	
August	142.5 *	9.2	108.4 *	5.9	188.6 *	-18.6	439.5 *	-4.7	396.7 *	-7.4
September	141.7		108.9		185.6		436.2		392.6	
October	142.4		109.3		187.3		439.0		394.1	
November	142.6	0.5	109.7	4.0	187.1	-2.9	439.4	-0.1	393.7	-3.0
December	142.8		110.1		186.2		439.1		392.4	
January 1991	142.5		110.4		187.6		440.5		392.6	
February	142.8	0.7	110.8	4.1	188.9	4.4	442.5	3.1	393.3	-0.1
March	143.2		111.2		190.1		444.5		394.1	
April	143.5		111.5		191.8		446.8		395.0	
May	143.7	2.5	111.8	3.8	193.2	8.7	448.7	5.5	395.7	2.3
June	144.0		112.2		193.6		449.8		396.0	
July	144.1		112.6		195.0		451.7		396.6	
August	144.0	1.0	113.0	3.7	196.7	7.4	453.7	4.4	397.3	1.4
September	144.2		113.0		197.3		454.5		396.9	
Chng Sept(91)/Sept(90)		1.8		3.8		6.3		4.2		1.1
Chng Sept(90)/Sept(89)		1.9		7.5		-3.8		0.7		-1.7

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	129.3		116.6		113.1		130.5	
May	129.6	4.2	117.0	-1.2	113.3	-1.6	131.0	4.7
June	130.2		117.2		113.1		131.4	
July	130.7		117.1		113.2		131.8	
August	131.9 *	6.9	119.1 *	6.1	117.2 *	9.6	133.1	6.0
September	133.0		119.8		117.0		133.9	
October	133.7		120.6		119.4		134.4	
November	134.3	7.5	120.8	7.4	119.7	13.5	134.9	6.0
December	134.8		121.0		119.5		135.3	
January 1991	135.2		120.8		119.5		135.8	
February	135.7	4.1	121.1	0.2	119.9	0.4	136.3	4.2
March	136.0		120.7		119.6		136.7	
April	136.4		121.0		119.9		137.1	
May	136.8	3.4	121.2	0.9	119.9	0.6	137.5	3.6
June	137.1		121.2		119.7		137.8	
July	137.5		121.4		119.8		138.3	
August	137.9	3.4	121.7	1.6	120.1	0.8	138.7	3.6
September	138.3		121.9		120.3		139.1	
Chng Sept(91)/Sept(90)		4.0		1.8		2.8		3.9
Chng Sept(90)/Sept(89)		6.2		4.4		4.3		4.7

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	134.8		112.2		129.1		146.0		109.7	
May	135.2	3.7	112.2	-1.0	129.2	3.5	146.6	4.2	110.1	1.8
June	135.7		112.1		130.0		147.2		110.2	
July	136.1		112.1		130.1		147.8		110.5	
August	137.5 *	6.2	112.4 *	1.1	133.0 *	9.6	148.4 *	5.1	110.8 *	2.9
September	138.3		112.9		134.2		149.1		111.1	
October	138.9		113.2		134.8		149.7		111.4	
November	139.4	6.2	113.5	3.7	135.3	8.7	150.3	5.1	111.6	3.0
December	139.9		113.8		135.6		150.9		111.9	
January 1991	140.4		114.2		136.0		151.5		112.2	
February	140.9	4.3	114.5	3.7	136.3	3.2	152.2	5.1	112.5	3.1
March	141.4		114.9		136.6		152.8		112.8	
April	141.7		115.2		136.6		153.4		113.1	
May	142.1	3.6	115.5	3.4	136.8	1.4	154.0	4.9	113.4	3.1
June	142.5		115.8		136.9		154.6		113.6	
July	143.0		116.0		137.2		155.2		113.9	
August	143.4	3.7	116.3	2.7	137.5	2.2	155.8	4.8	114.2	3.0
September	143.9		116.5		137.8		156.4		114.5	
Chng Sept(91)/Sept(90)		4.0		3.2		2.7		4.9		3.1
Chng Sept(91)/Sept(90)		4.6		1.6		8.8		5.0		2.3

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj
April 1990	-7.31		145.1		5426		4157		-2.5
May	-7.77	62.0	145.9	0.3	5451	5.8	4162	1.2	1.3
June	-5.07		146.1		5477		4167		4.2
July	-5.84 *		146.1		5499		4172		4.9
August	-5.61	5.4	144.9 *	-1.5	5547	6.5	4169	0.4	-5.8
September	-8.42		144.5		5567		4158		-14.9
October	-9.26		144.3		5581		4153		-20.3
November	-9.09	-236.9	144.6	-1.9	5598	4.5	4151	-1.4	-21.4
December	-8.57		144.5		5616		4150		-17.2
January 1991	-8.26		145.0		5635		4150		-15.6
February	-7.63	46.7	145.3	1.8	5649	3.7	4146	-0.5	-15.8
March	-7.11		145.0		5663		4142		-17.1
April	-6.28		145.2		5674		4139		-15.1
May	-6.56	52.3	145.5	1.6	5689	2.8	4138	-0.7	-11.6
June	-6.27		146.3		5702		4137		-7.9
July	-6.63		146.7		5722		4139		-7.3
August	-6.22	8.5	147.0	3.1	5749	4.5	4145	0.8	-7.0
September	-5.84		146.6		5781		4155		-5.4
Chng Sept(91)/Sept(90)		30.6		1.5		3.8		-0.1	
Chng Sept(90)/Sept(89)		4.0		-0.3		5.9		1.0	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	93.51		170.3		8.76		185.61	
May	92.04	-2.0	176.7	22.0	8.83	28.1	191.35	12.7
June	92.43		179.5		8.46		196.68	
July	89.68		179.1		8.50		196.60	
August	85.88	-23.3	180.3	9.8	8.77	3.7	178.36	-16.4
September	84.57 *		179.6		9.02 *		173.61 *	
October	83.31		176.8		8.93		173.49	
November	82.26	-15.0	173.4	-11.6	8.88	1.4	171.96	-17.0
December	84.17		172.5		8.57		178.15	
January 1991	86.43		170.6		8.46		179.37	
February	85.72	14.8	168.3	-12.5	8.55	-13.6	175.96	7.5
March	86.35		166.7		8.42		177.86	
April	87.16		165.1		8.35		178.52	
May	88.68	8.1	165.1	-8.5	8.31	-8.4	180.28	6.0
June	87.73		164.3		8.22		182.28	
July	88.04		164.7		8.13		185.67	
August	90.13	9.1	163.8	-1.1	8.20	-5.0	183.99	10.5
September	91.21		164.6		8.23		185.14	
Chng Sept(91)/Sept(90)		7.9		-8.4		-8.8		6.6
Chng Sept(90)/Sept(89)		-17.0		1.0		8.5		-10.1

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	304.8		807.3		3277.9		8.26		7.84	
May	305.7	4.1	805.4	3.6	3271.8	2.9	8.18	-0.3	7.76	2.3
June	308.0		809.4		3279.6		8.29		7.63	
July	309.3		809.2		3284.9		8.15		7.52	
August	311.8 *	7.6	815.0	3.7	3298.6 *	2.8	8.12 *	-8.3	7.47 *	-14.8
September	314.4		820.1		3314.7		7.93		7.33	
October	316.0		823.6		3327.3		7.76		7.21	
November	317.4	7.4	826.9	6.1	3342.8	5.0	7.63	-19.4	7.15	-14.4
December	318.9		830.2		3350.4		7.54		7.11	
January 1991	320.2		834.3		3366.7		7.39		6.97	
February	321.7	5.6	838.3	5.5	3384.6	5.2	7.27	-17.1	6.85	-14.9
March	323.4		841.8		3397.3		7.22		6.80	
April	324.8		845.3		3412.7		7.06		6.68	
May	326.2	5.6	848.7	5.2	3426.8	5.4	7.02	-13.0	6.63	-12.2
June	327.6		852.4		3443.6		7.05		6.65	
July	328.9		856.3		3458.4		7.08		6.61	
August	330.2	5.1	859.8	5.3	3473.5	5.5	7.05	0.4	6.55	-2.2
September	331.7		863.3		3489.6		7.02		6.69	
Chng Sept(91)/Sept(90)		5.5		5.3		5.3		-11.5		-8.7
Chng Sept(90)/Sept(89)		7.5		4.8		4.8		-12.1		-5.3

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	9.46		7.44		8.30		8.42		10.00	
May	9.47	9.1	7.35	8.0	8.25	1.1	8.35	5.5	10.00	-1.5
June	9.26		7.24		8.14		8.23		10.00	
July	9.24		7.19		7.99		8.10		10.00	
August	9.43	2.1	7.44	4.4	7.93	-13.9	7.99	-14.4	10.00	-2.0
September	9.67 *		7.64 *		7.86 *		7.96 *		9.85 *	
October	9.78		7.76		7.72		7.83		9.50	
November	9.75	10.7	7.70	13.4	7.57	-16.2	7.68	-15.5	9.50	-16.9
December	9.54		7.52		7.46		7.55		9.50	
January 1991	9.43		7.40		7.35		7.46		9.36	
February	9.52	-9.4	7.47	-11.5	7.22	-16.1	7.33	-15.2	9.25	-8.7
March	9.41		7.42		7.20		7.34		9.25	
April	9.27		7.26		7.09		7.21		9.25	
May	9.20	-10.4	7.18	-12.6	7.05	-9.7	7.16	-9.9	9.16	-6.3
June	9.12		7.11		7.08		7.19		9.00	
July	9.07		7.06		7.09		7.20		9.00	
August	9.08	-5.5	7.04	-7.9	7.09	0.2	7.17	-0.9	9.00	-5.9
September	9.05		7.01		7.05		7.14		9.00	
Chng Sept(91)/Sept(90)		-6.4		-8.2		-10.3		-10.3		-8.6
Chng Sept(90)/Sept(89)		7.3		5.2		-10.6		-9.3		-6.2

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